

# NEWS RELEASE

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## **Sham Decatur Real Estate Agent, Belleville Appraiser Plead Guilty to \$8 Million Real Estate Scheme**

Urbana, IL - The United States Attorney for the Central District of Illinois, Rodger A. Heaton, announced that Gary Knox, 60, of Decatur, and Dennis Wiese Jr., 38, of Belleville, Illinois, entered pleas of guilty today for their respective roles in an \$8 million-dollar real estate "flipping" scheme in Decatur and Springfield. Chief U.S. District Judge Michael P. McCuskey scheduled sentencing for Knox and Wiese on August 29, 2006. A third defendant, Frank Kelly Ciota, age 45, of Riverton, Illinois, pled guilty on Monday, April 17, 2006, and is scheduled for sentencing on August 4, 2006.

The scheme, which began in 1999 or before, and continued into 2005, involved more than 150 fraudulent real estate sales and financing transactions in Springfield and Decatur, Illinois. Knox, Ciota and Wiese admitted engaging in a practice known as "flipping," which involved making false representations, including fraudulent real estate appraisals by Wiese and used by Knox and Ciota to entice owners to sell, buyers to purchase, and lenders to finance rental properties that were sold at prices they had fraudulently inflated to substantially higher than their reasonable value. As a result, as admitted by Wiese, who was a licensed Illinois real estate appraiser at the time, he received fees of \$350 to \$450 per appraisal. Knox and Ciota admitted that over the course of the scheme they converted more than \$3 million in profits for their personal use and to promote the ongoing scheme.

The case was investigated by the Federal Deposit Insurance Corporation's (FDIC) Office of Inspector General, Western Region; the U.S. Postal Inspection Service, Chicago Division; and the Federal Bureau of Investigation, Springfield Division. The Illinois Department of Financial and Professional Regulation, Division of Banks and Real Estate, also provided assistance in the investigation. The government is being represented by Assistant U.S. Attorney Timothy A. Bass.

U.S. Attorney Heaton stated, "These guilty pleas are the result of tenacious efforts by all the investigative agencies involved. I commend them. Although we have exposed and stopped this particular scheme, other mortgage fraud schemes exist. Consumers should remain vigilant even as our investigation and prosecution of such schemes is continuing."

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During today's court proceedings, Knox admitted that although he was not a licensed real estate broker or salesperson, he had represented himself and his business, Central Illinois Management and Development Company, to be in the business of buying, selling and managing real estate. To carry out the scheme, Knox and Ciota recruited buyers, typically with little or no experience in real estate investment, to invest in rental real estate. To entice buyers, Knox and Ciota made numerous false representations about the properties: payment of \$5,000 or more for each property purchased; no-money down purchases; assistance with loan applications; that Knox and Ciota would act as the buyers' property manager, to locate tenants and collect rents; that they would make the loan payments directly to the mortgage lenders; and, that they would buy back the properties on a contract for deed. As a result, mortgage lenders, and real estate buyers and sellers often incurred significant financial losses.

Knox and Ciota each entered pleas of guilty to all the respective charges against them in a superseding indictment filed in August 2005. In the indictment, Knox was charged with three counts of bank fraud; one count of wire fraud; six counts of mail fraud; and one count of conspiracy to commit money laundering. Ciota was charged with one count of bank fraud; one count of wire fraud; five counts of mail fraud; and one count of conspiracy to commit money laundering. Pursuant to a plea agreement, Wiese pled guilty to two counts of bank fraud, one count of wire fraud and one count of mail fraud and agreed to cooperate with the government in the ongoing investigation.

At sentencing, each offense of bank fraud, mail fraud and wire fraud carries a maximum statutory penalty of up to 30 years imprisonment and a fine of \$1,000,000. The maximum statutory penalty for the offense of conspiracy to commit money laundering is 20 years in prison and a fine of \$500,000.

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